

## Message Text

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DRAFTED BY COMMERCE:SROSENBLATT

APPROVED BY EUR/RPMHLEVINE

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TO USMISSION OECD PARIS IMMEDIATE

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E.O. 11652:

TAGS: EIND, OECD

SUBJECT: WORKING PARTY ON THE IRON AND STEEL INDUSTRY,  
OCTOBER 1-2

REF: TARRANT/ROGERS TELECON

DELIVER TO FORRESTER OPENING OF BUSINESS, TUESDAY,  
OCTOBER 1

1. PER TELECON, MISSION REQUESTED PROVIDE REPRESENTATIVE  
TO SUBJECT MEETING. EDWARD S. FLORKOSKI (AMERICAN IRON  
AND STEEL INSTITUTE) AND WILLIAM J. TAYLOR (U.S. STEEL  
CORPORATION) WILL BE AVAILABLE AS INDUSTRY ADVISERS.

2. PURPOSE OF MEETING IS TO CONSIDER THE SECOND DRAFT  
OF THE REPORT, "INVESTMENTS IN THE IRON AND STEEL INDUSTRY,  
PROBLEMS AND PROSPECTS" (DIE/IND/IS/74.2 (1ST REVISION)  
DATED 14TH AUGUST 1974). THE U.S. REPRESENTATIVE SHOULD  
DRAW ON FOLLOWING FOR GUIDANCE FOR THIS MEETING:

GENERAL COMMENTS ON THE REPORT

3. THE REVISED DRAFT REPORT OF THE SECRETARIAT IS AN  
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IMPROVEMENT OVER THE ORIGINAL VERSION. IT PROVIDES A

GENERAL OVERVIEW OF STEEL INDUSTRY DEVELOPMENTS AND  
PROBLEMS INCLUDING THE FACTORS AFFECTING STEEL INVESTMENT

IN THE YEARS AHEAD. THE STUDY QUESTIONS WHETHER THE  
STEEL INDUSTRIES IN OECD AND OTHER COUNTRIES WILL BE ABLE  
TO RAISE THE FUNDS NEEDED FOR EXPANSION OF STEEL CAPACITY  
BETWEEN NOW AND 1980. THE STUDY CONSTITUTES A GOOD

SUMMARY OF THE PROBLEMS FACING THE WORLD'S STEEL  
INDUSTRIES, BUT DOES NOT PROVIDE MUCH NEW INFORMATION.  
ITS CONCLUSIONS ARE VERY GENERAL. THE DATA ON SOURCES OF  
INDUSTRY FINANCING IN TABLE 9 WHICH SHOW GOVERNMENT LOANS  
ARE CONSIDERED CONTROVERSIAL AMONG SOME MEMBER COUNTRIES.  
IN ADDITION, THE DATA ARE IN PERCENTAGE RATHER THAN  
ABSOLUTE TERMS WHICH MAY NOT BE COMPARABLE AMONG COUNTRIES  
AND THEREFORE POSSIBLY MISLEADING. SOME MEMBER COUNTRIES  
WANT THIS DATA DELETED FROM THE STUDY BUT

OTHERS (INCLUDING THE U.S. AND CANADA) FEEL IT IS  
DESIRABLE TO INCLUDE IT SINCE IT IS THE ONLY DATA MADE  
AVAILABLE. THE PURPOSE OF THE CANADIAN DELEGATION IN  
ORIGINALLY SUGGESTING THIS STUDY WAS TO GET DETAILED  
INFORMATION ON GOVERNMENT AIDS TO THE STEEL INDUSTRY.

SPECIFIC COMMENTS ON THE BODY OF THE REPORT

4. MOST OF THE DETAILED COMMENTS PREVIOUSLY SUBMITTED BY  
THE U.S. ARE REFLECTED IN THE SECOND DRAFT. THERE ARE NO  
ADDITIONAL SPECIFIC CHANGES IN THE BODY OF THE REPORT THAT  
WE FEEL ARE ESSENTIAL FROM THE U.S. POINT OF VIEW.

COMMENTS ON THE CONCLUSIONS OF THE REPORT

5. THE CONCLUSIONS OF THE REPORT CONTINUE TO BE VERY  
GENERAL AND SUBJECT TO DIFFERENT INTERPRETATIONS. HOWEVER,  
IT IS LIKELY THAT NO AGREEMENT COULD BE REACHED IN THE  
WORKING PARTY ON MORE PRECISE CONCLUSIONS AND RECOMMENDA-  
TIONS. MOREOVER, ANY PRECISE RECOMMENDATIONS ON TAX AND  
TRADE POLICY MIGHT NOT BE ACCEPTABLE TO THE U.S.

6. (FYI: U.S. STEEL INDUSTRY ADVISERS HAD SUBMITTED TO  
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THE U.S. GOVERNMENT A SUGGESTED REWRITE OF THE ENTIRE  
CONCLUSIONS PART OF THE REPORT. THE SUGGESTED REWRITE WAS  
ALSO VERY GENERAL BUT WITH CHANGES IN EMPHASIS OR  
MEANING IN SOME CASES. FOLLOWING A DISCUSSION BETWEEN  
U.S. GOVERNMENT AND THE INDUSTRY ADVISERS IT WAS DECIDED  
THAT IT WOULD BE INAPPROPRIATE FOR THE U.S. TO SUGGEST  
ITS OWN TOTAL REDRAFTING OF THE CONCLUSIONS. IT WAS  
AGREED THAT THE SUGGESTED REWRITE OF INDUSTRY WOULD NOT

BE SUBMITTED TO WORKING PARTY OR THE SECRETARIAT. END  
FYI.)

POSSIBLE FUTURE WORK IN THE STEEL SECTOR

7. PARAGRAPH 6 IN THE INTRODUCTION, PARAGRAPH 111 OF THE  
BODY OF THE REPORT, AND PARAGRAPH 128 OF THE CONCLUSIONS

RECOMMEND THAT STUDIES BE MADE OF THE FUTURE SUPPLY OF  
IRON AND STEEL SCRAP. THE LAST PARAGRAPH OF THE  
CONCLUSIONS (PARAGRAPH 131) ALSO CALLS FOR FURTHER  
STUDIES AND COOPERATION IN THE STEEL SECTOR IN "THE  
APPROPRIATE FORUM BETWEEN INDUSTRIALIZED AND DEVELOPING  
COUNTRIES." U.S. REP SHOULD SEEK TO HAVE THE REFERENCE  
TO A SCRAP STUDY IN THE INTRODUCTION AND THE OTHER THREE  
PARAGRAPHS DELETED FROM THE REPORT AND ANY RECOMMENDATIONS  
INCORPORATED IN THE TRANSMITTAL STATEMENT SUBMITTED TO THE  
INDUSTRY COMMITTEE. IN THIS TRANSMITTAL STATEMENT THE  
WORKING PARTY SHOULD RECOMMEND A SPECIFIC AREA WHICH MIGHT  
BE STUDIED AND PROVIDE JUSTIFICATION. OF INTEREST TO THE  
U.S., IN ADDITION TO IRON AND STEEL SCRAP, ARE POSSIBLE  
PROBLEMS OF POLLUTION ABATEMENT IN THE STEEL INDUSTRY AND  
THE SUPPLY OF FERROALLOYS FOR STEELMAKING. HOWEVER, THE  
U.S. REP SHOULD NOT TAKE INITIATIVE IN RECOMMENDING ANY  
NEW STUDY, AS THE U.S. WILL LOOK VERY CLOSELY AT THE  
JUSTIFICATION FOR NEW IRON AND STEEL STUDIES.

8. IT IS THE U.S. POSITION THAT THE PRESENT STEEL REPORT  
BE COMPLETED AS SOON AS POSSIBLE AND SUBMITTED TO THE  
INDUSTRY COMMITTEE WITHOUT REQUIRING ANY ADDITIONAL MEET-  
INGS OF THE AD HOC WORKING PARTY IF AT ALL POSSIBLE. INGERSOLL

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